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12 HealthCare Conglomerate Associates, LLC

13 SUPERIOR COURT OF THE STATE OF CALIFORNIA

14 IN AND FOR THE COUNTY OF TULARE, VISALIA DIVISION

15 In re SEARCH WARRANT NO. 013487
EXECUTED AUGUST 22, 2018 AT
16 JPMORGAN CHASE BANK

17 YORAI BENZEEVI,

18 Moving Party,

19 v.

20 SUPERIOR COURT OF THE COUNTY
OF TULARE

21 Respondent,

22 TULARE COUNTY DISTRICT
ATTORNEY'S OFFICE,

23 Real Party in Interest.

Case No.

**DECLARATION OF J. DUROSS
O'BYRAN IN SUPPORT OF MOTION OF
DR. YORAI BENZEEVI FOR RETURN
OF SEIZED PROPERTY AND RELATED
EVIDENTIARY HEARING**

Date: October 5, 2018

Time: 2:00 p.m.

Dept.: 13

Judge: Hon. John P. Bianco

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25 PUBLIC-- Redacts Materials From Conditionally Sealed Record
26

1 I, J. Duross O'Byran, declare as follows:

2 **QUALIFICATIONS**

3 1. I am a Partner in the Financial Advisory Services practice of Resolution
4 Economics Group ("REG"). I have been with REG since July of 2014. My current business
5 address is 1925 Century Park East, 15th floor, Los Angeles CA 90067. My client responsibilities
6 include, but are not limited to, providing expert witness testimony in matters involving Generally
7 Accepted Accounting Principles ("GAAP"), Generally Accepted Auditing Standards ("GAAS"),
8 professional standard of care, forensic accounting investigations, economic damages, and SEC
9 investigations.

10 2. The facts stated herein are known to me of personal knowledge, except as to those
11 facts, if any, stated on information and belief. With respect to facts stated on information and
12 belief, I believe those facts to be true.

13 3. I have been a licensed Certified Public Accountant for 30 years. During this
14 period, I have consulted on engagements involving economic damages, forensic investigation,
15 and valuation issues and I have been qualified as an expert witness in numerous matters litigated
16 in Federal courts, State courts, and arbitration matters. My experience has included engagements
17 involving companies ranging in size from thousands to billions of dollars in assets and/or
18 revenues. I have experience in numerous industries including health care, real estate, consumer
19 products, financial services, distribution, food processing, business services, and manufacturing,
20 amongst many others. I also have extensive experience, and have offered opinions on, accounting
21 issues in public and private company settings. Additionally, I have performed audits and other
22 accounting engagements in connection with private placement memoranda, initial public offering
23 documents, Sarbanes-Oxley Act of 2002 compliance reports, U.S. Securities and Exchange
24 Commission ("SEC") Comment Letters, Form 10-K, Form 10-Q, and other related securities
25 filings.

26 4. REG has significant forensic accounting and investigation experience. Examples
of our experience include, but are not limited to, investigating: (1) thousands of transactions

1 related to an investigation pursuant to the Foreign Corrupt Practices Act, (2) alleged
2 misappropriation by the owner of a professional sports franchise on behalf of the commissioner of
3 the sports league, (3) alleged misappropriation by the manager of a specialty agricultural
4 business, and (4) alleged fraud and embezzlement by a managing member of a partnership that
5 owned an office building.

6 5. Prior to joining REG, I was the Managing Director in charge of the Los Angeles
7 Litigation Practice for AlixPartners LLP. I held that position between 2003 and July 2014. Prior
8 to AlixPartners, I was a Partner in PricewaterhouseCoopers LLP ("PwC"), formerly Coopers &
9 Lybrand LLP ("C&L"), for approximately 16 years. At C&L, I was appointed the Partner-In-
10 Charge of the Financial Advisory Services ("FAS") practice for the Western Region in 1995. At
11 PwC, I was appointed the Partner-in-Charge of the New York Metro Region FAS practice in 1998
12 and the Partner-In-Charge of the FAS practice for PwC's Los Angeles office and the Partner-In-
13 Charge of the Dispute Analysis and Investigations practice for the Western Region of PwC in
14 2001. My curriculum vita is attached as **Attachment 1** hereto.

15 BACKGROUND

16 6. I understand that Dr. Yorai ("Benny") Benzeevi is the Managing Member of
17 Healthcare Conglomerates Associates, LLC ("HCCA"), a corporation whose principal line of
18 business is operating and managing regional hospitals located in central California. I understand
19 further that in December 2013, the Board of Directors for the Tulare Local Healthcare District
20 ("District") selected HCCA to operate and manage the Tulare Regional Medical Center
21 ("TRMC") located in Tulare, CA.¹ On January 10, 2014, HCCA began managing TRMC
22 pursuant to a short-term Management Services Agreement.² Thereafter, the District's Board of
23 Directors and HCCA negotiated a long-term Management Services Agreement ("MSA"). HCCA
24 and the District executed a final MSA on May 29, 2014.³

25 ¹ <https://thebusinessjournal.com/critics-say-under-hcca-tulare-hospital-care-suffered/>.

26 ² First Amendment to Management Services Agreement, February 14, 2014.

³ Management Services Agreement, May 29, 2014.

1 7. Management fee – The MSA provided for HCCA to exclusively manage TRMC’s
2 administrative and medical operations⁴ on behalf of the District for a term of 15 years⁵ in
3 exchange for an initial monthly management fee of \$225,000 (the initial fee escalated annually
4 beginning January 1, 2015 by the greater of the CPI or 5%, multiplied by 1.01⁶).

5 8. Employee lease fee – The MSA also provided that HCCA would be the exclusive
6 employer of TRMC’s administrative and medical personnel and that HCCA would lease the
7 personnel back to TRMC for a fee.⁷ The personnel fee charged by HCCA to the District pursuant
8 to the MSA was 130% of actual personnel salary (excluding benefits).⁸ HCCA paid the personnel
9 salaries and benefits from the 130% fee. Any portion of the fee paid to HCCA in excess of
10 HCCA’s actual salary and benefits costs results in a net fee to HCCA.

11 9. Results of operations – After HCCA began operating and managing TRMC,
12 TRMC’s financial results and future operating outlook substantially improved.

- 13 a. Increasing revenue – As indicated in **Attachment 2**, TRMC’s revenues
14 increased from an average of \$72.3 million between fiscal years 2012 and
15 2014 to an average of \$79.2 million between fiscal years 2015 and 2017.⁹
16 b. Increasing net income – As indicated in **Attachment 3**, TRMC’s net
17 income increased from an average of \$2.0 million between fiscal years
18
19

20 ⁴ Including but not limited to: (1) Managing financial and operating systems, (2) preparing annual
21 budgets, (3) purchasing hospital supplies and services, (4) contracting for support and managing
22 operational relationships, (5) expanding facilities and medical services, (6) recruiting and
23 managing staff, and (7) supervising day to day operations of the hospital. Management Services
24 Agreement, May 29, 2014, Section 3(a).

25 ⁵ Management Services Agreement, May 29, 2014, Section 2(a).

26 ⁶ Management Services Agreement, May 29, 2014, Section 6(a) – (b)(ii)(3).

⁷ Management Services Agreement, May 29, 2014, Section 4(b)(i) – (ii).

⁸ First Amendment to Management Services Agreement, May 29, 2014, Section 1.

⁹ The 2012 – 2016 figures were independently audited by the accounting firms of Armanino LLP
and Eide Bailly LLP. TRMC audited financial statements for the periods ending June 30, 2014 –
2016.

2012 and 2014 to an average of \$10.8 million between fiscal years 2015 and 2017.¹⁰

- c. Removal of a Going Concern disclosure by the District's auditor – When the District's June 30, 2013 financial statements were issued on December 9, 2013, the District's auditor at that time, Armanino LLP, augmented their audit opinion to indicate that the District had Going Concern uncertainties.¹¹ As previously discussed, HCCA began managing TRMC on January 10, 2014. Armanino LLP removed the Going Concern disclosure from the District's June 30, 2014 financial statements, which were issued on November 24, 2014 and did not include a Going Concern disclosure on the District's June 30, 2015 financial statements, which were issued on December 8, 2015.¹² Additionally, the District's subsequent auditors, Eide Bailly LLP, did not include a Going Concern disclosure in the District's June 30, 2016 financial statements issued on April 25, 2017.¹³ The District's June 30, 2017 financial statements were not audited.
- d. Improved bond rating – Moody's Corporation rates the creditworthiness of publicly issued bonds. On October 25, 2016, Moody's affirmed the District's bond rating and revised the District's outlook from "Negative" to "Stable." Among other factors, Moody's cited the new management as a factor improving the outlook of the District.¹⁴

¹⁰ The 2012 – 2016 figures were independently audited by the accounting firms of Armanino LLP and Eide Bailly LLP. TRMC audited financial statements for the periods ending June 30, 2014 – 2016.

¹¹ Pursuant to AICPA standard AU341.02 and AU341.12, an auditor must include an explanatory paragraph following the opinion paragraph if the auditor believes that there is substantial doubt that the District will continue as a going concern for up to one year. TRMC audited financial statements for the period ending June 30, 2014.

¹² TRMC audited financial statements for the period ending June 30, 2014 – 2015.

¹³ TRMC audited financial statements for the period ending June 30, 2016.

¹⁴ https://www.moody.com/research/Moodys-Affirms-Baa3-GO-Rating-of-Tulare-Local-Health-Care--PR_903282422.

1 10. Cash flow issues – Beginning in 2015, the District began to transition its medical
2 record and billing systems from an existing obsolete Siemens computer system to a new Cerner
3 computer system.¹⁵ Thereafter, TRMC experienced issues with the new computer system
4 including technical deficiencies and medical record coding issues.¹⁶ These issues were not
5 unique to TRMC¹⁷ and impaired and slowed the District's collection of its accounts receivables.
6 As indicated in **Attachment 4**, the collection issues caused by the District's computer system
7 issues increased accounts receivable and decreased available cash. As of June 30, 2017, the
8 District had only \$2.1 million in cash available to fund working capital requirements and \$54.6
9 million in outstanding and uncollected accounts receivable.¹⁸

10 11. Loans – During HCCA's tenure as operator and manager of TRMC, HCCA loaned
11 substantial monies to the District pursuant to the MSA to address TRMC's periodic cash flow
12 issues.¹⁹ As indicated in the table below, in the two year period between July 2015 and July
13 2017, HCCA provided TRMC with funds by way of 10 working capital facilities totaling
14 approximately \$10.2 million.²⁰ Each of these facilities is comprised of a request for funds from

15 ¹⁵ <https://www.visaliatimesdelta.com/story/news/local/2016/10/02/hcca-trmc-launch-new-electronic-health-record-system/91453670/> and discussions with Dr. Benzeevi.

16 ¹⁶ <https://ehrintelligence.com/news/cerner-ehr-partly-blamed-for-hospital-billing-issues-bankruptcy> and discussions with Dr. Benzeevi.

17 ¹⁷ See, e.g., <https://www.beckershospitalreview.com/ehrs/cerner-implementation-sparks-delays-at-connecticut-health-system.html>; <https://ehrintelligence.com/news/poor-staff-training-contributed-to-trying-cerner-implementation>; <http://www.healthcarebusinessstech.com/kansas-hospital-spent-1-2-million-on-failed-ehr-installation/>;
18 <http://www.healthcareitnews.com/news/cerner-sued-16-million-over-revenue-cycle-rollout>;
19 <https://ehrintelligence.com/news/cerner-implementation-at-mo-hospital-causing-billing-problems>

20 ¹⁸ TRMC financial statements for the period ending June 30, 2017.

21 ¹⁹ Management Services Agreement, May 29, 2014, Section 4(j)(1) – (3).

22 ²⁰ Short Form Deed of Trust and Assignment of Rents, September 27, 2017; Promissory Note for
23 \$1,729,421, 07/31/15; Request For Funds for \$1,729,421; Promissory Note for \$2,501,147,
24 07/31/16; Request For Funds for \$2,501,147; Promissory Note for \$1,064,729.80, 12/21/16;
25 Request For Funds for \$1,064,729.80; Promissory Note for \$179,355.34, 12/28/16; Request For
26 Funds for \$179,355.34; Promissory Note for \$27,502.46, 12/29/16; Request For Funds for
\$27,502.46; Promissory Note for \$900,000, 12/30/16; Request For Funds for \$900,000;
Promissory Note for \$281,393.44, 12/30/16; Request For Funds for \$281,393.44; Promissory
Note for \$1,800,000, 03/31/17; Request For Funds for \$1,800,000; Promissory Note for
\$250,000, 07/21/17; Request For Funds for \$250,000; Promissory Note for \$1,500,401.01,
07/31/17; Request For Funds for \$1,500,401.01.

the District, a promissory note, and a deed of trust.

Working Capital Facilities	
Date	Face Amount
07/31/15	\$1,729,421
07/31/16	2,501,147
12/21/16	1,064,730
12/28/16	179,355
12/29/16	27,502
12/30/16	900,000
12/30/16	281,393
03/31/17	1,800,000
07/21/17	250,000
07/31/17	1,500,401
Total	\$10,233,949

12. Bankruptcy – As a result of the District’s cash flow issues, the District’s Board of Directors filed Chapter 9 bankruptcy on September 30, 2017.²¹

13. Allegations of misappropriation – After filing Chapter 9 bankruptcy, investigators alleged that HCCA and Dr. Benzeevi misappropriated District funds.²² I have been advised by Dr. Benzeevi’s counsel that on August 22, 2018, HCCA’s bank account with JPMorgan Chase ending in [REDACTED] and Dr. Benzeevi’s personal bank account with JPMorgan Chase Bank ending in [REDACTED] were served with legal orders requiring the bank to hold or freeze funds in the two accounts pending a legal investigation.²³

SCOPE OF WORK

14. I have been asked by counsel for Dr. Benzeevi to perform two analyses:

²¹ <https://www.visaliatimesdelta.com/story/news/2017/10/11/trmc/756372001/>

²² <https://www.visaliatimesdelta.com/story/news/2018/04/23/fbi-da-search-home-former-tulare-hospital-ceo/544058002/>

²³ Screenshot of online banking detail from July 23, 2018 to August 23, 2018 for JPMorgan Chase Account ending in [REDACTED] and screenshot of online banking detail from August 16, 2018 to September 6, 2018 for JPMorgan Chase Account ending in [REDACTED]. The legal papers also sought to hold or freeze two other accounts, which I understand have been closed.

- 1 a. **Accounting analysis** – Determine if HCCA or Dr. Benzeevi
2 misappropriated District funds.
3 b. **Celtic loan analysis** [REDACTED] – Determine if the funds frozen in Dr.
4 Benzeevi’s personal bank account ending in [REDACTED] can be specifically traced
5 to the Celtic loan proceeds.
6

7 **DOCUMENTS CONSIDERED**

8 15. In analyzing this matter, I reviewed the documents identified in the footnotes and
9 the attachments to this Declaration. The documents I have reviewed include, but are not limited
10 to: First Amendment to the MSA, MSA dated May 29, 2014, audited District financial statements
11 dated 2014 to 2016, unaudited District financial statements dated 2017, AICPA AU Section 341,
12 Moody’s Investors Service press release dated October 25, 2016, press releases and news articles
13 related to District activities, lending facilities between HCCA and the District, transaction detail
14 as of August 23, 2018 for bank accounts ending in [REDACTED] deposition testimony of
15 Delbert Bryant dated December 8, 2017, HCCA accounting records related management service
16 and employee lease fees, HCCA Union Bank and JPMorgan Chase bank statements between
17 January 2014 and December 2017, and Dr. Benzeevi’s JPMorgan Chase bank account statements
18 between June 2017 and July 2018.

19 **SUMMARY OF OPINIONS**

20 16. I have formed the following opinions based on my review of documents produced
21 to me and the analysis I have performed:

- 22 a. **Opinion 1** – HCCA and/or Dr. Benzeevi did not misappropriate District
23 funds.
24 b. **Opinion 2** – The amount of Celtic Loan proceeds contained in Dr.
25 Benzeevi’s [REDACTED] cannot be specifically determined with any
26

reasonable professional certainty due to substantial mixing of funds with other unrelated, non-Celtic loan funds.

ACCOUNTING ANALYSIS

17. I have performed the following calculation to determine if any funds were misappropriated:

Fees earned by HCCA (management fees and employee lease fee)
Less: Net cash received by HCCA
Equals: Amounts due to or due from HCCA

18. A summary of my analysis is presented in **Attachment 5**. As indicated in the attachment, during HCCA's tenure as manager of TRMC and as of December 31, 2017, total fees earned by HCCA of \$19,330,660 less cash received by HCCA of \$18,042,328 (including proceeds received from the Celtic Loan) demonstrates that the *District owes HCCA* at least **\$1,288,332** which indicates that *HCCA and/or Dr. Beenzevi did not misappropriate District funds*.

Fees Earned by HCCA

19. As previously discussed, pursuant to the MSA, HCCA earned two fees during its tenure as manager of TRMC: (1) Management fee and (2) Employee lease charge fee. The total of these two fees is **\$19,330,660**.

- a. Management fee – As indicated in **Attachment 6**, the total management fee earned by HCCA between January 10, 2014 (date HCCA started managing TRMC) and November 22, 2017 (date HCCA was terminated by the District)²⁴ is \$11,354,992.
- b. Employee lease charge fee – As indicated in **Attachment 7**, the total employee lease charge fee earned by HCCA between November 2014 (the month the employees were hired by HCCA and leased to District)²⁵ and

²⁴ <https://www.ourvalleyvoice.com/2017/11/16/hcca-trmc-november-22-hospital-served-warrant/>

²⁵ TRMC audited financial statements for the period ending June 30, 2014.

October 2017 (the date the employees were terminated by HCCA pursuant to the bankruptcy)²⁶ is \$7,975,668. I understand that the employee lease charges were (1) calculated annually by Delbert Bryant, the District's own Corporate Accounting Controller for 13 years²⁷ and (2) subject to auditing procedures by TRMC's independent financial and accounting auditors (Armanino LLP and Eide Bailly LLP) in 2015 and 2016.²⁸

Net Cash Received by HCCA

20. I have performed the following calculation to identify the net cash received by HCCA:

Cash received by HCCA from the District

Less: Cash disbursed by HCCA on behalf of the District

Equals: Net amount of cash received by HCCA from the District

21. All of the cash received from the District by HCCA and disbursed on behalf of the District by HCCA was captured in the following bank accounts:

- a. June 11, 2014 to December 29, 2017 (almost four years) – Union Bank accounts ending in [REDACTED]
- b. January 08, 2014 to December 29, 2017 (almost four years) – JPMorgan Chase Bank accounts ending in [REDACTED], [REDACTED]

22. I have reviewed all of the bank statements for these bank accounts and prepared an electronic database of the transactions presented in the bank statements. A detailed copy of the electronic database of transactions is presented in **Attachment 8**. As indicated in the attachment, the beginning balance is \$0 and the ending balance is \$295,779. Both the beginning balance and the ending balance presented in the detailed listing tie to the actual bank statements which are presented in **Attachment 9**.

23. After preparing the database of transactions and confirming that the beginning and

²⁶ <https://www.ourvalleyvoice.com/2017/10/26/hcca-moves-suspend-employees-october-29/>

²⁷ Deposition of Delbert Bryant, December 8, 2017, Pgs. 17:12 – 15 and 18:9 – 14.

²⁸ TRMC audited and unaudited financial statements for the periods ending June 30, 2015 – 2016.

ending balances tie to the respective bank statements, I then classified all of the transactions between cash received from either the District or HCCA and cash disbursed on behalf of the District or to HCCA. See **Attachment 10** for a summary totaling the transactions by classification and accompanying detailed sheets listing each of the transactions by classification. As indicated in the attachment and summarized in the table below, these bank accounts received net cash from the District totaling **\$18,042,329** and disbursed net cash to HCCA totaling **\$18,042,329**.

Component	District	HCCA
Cash received	\$118,016,460	\$2,431,600
Less: Cash disbursed	<u>(99,974,131)</u>	<u>(20,473,929)</u>
Equals: Net cash received/(disbursed)	\$18,042,329	(\$18,042,329)

Amount Due to HCCA

24. As of August 31, 2017 – If the analysis of the amount due to HCCA is adjusted from December 31, 2017 to August 31, 2017, then the resulting total amount of fees earned by HCCA of approximately **\$18,667,366** less the total amount of cash received by HCCA of **\$15,615,633** (prior to receipt of the Celtic Loan proceeds), indicates that the District owed HCCA at least **\$2,538,423** as of August 31, 2017. Accordingly, the entirety of the \$2.4 million in Celtic Loan proceeds that HCCA received was used to pay the District's outstanding obligations to HCCA.

25. As of December 31, 2017 – The total amount of fees earned by HCCA of **\$19,330,660** less the total amount of cash received by HCCA of **\$18,042,328** (including proceeds received from the Celtic Loan) indicates that the ***District owes HCCA*** at least **\$1,288,332** as of December 31, 2017.

Conclusion

26. As indicated above, HCCA received less cash than it earned and is owed unpaid fees by the District -- ***HCCA accordingly did not misappropriate District funds.***

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CELTIC LOAN ANALYSIS – 3432 ACCOUNT

27. As previously discussed, the District borrowed \$3,000,000 from Celtic on August 31, 2017. See **Attachment 11** for a table summarizing the flow of funds between HCCA's [REDACTED], HCCA's [REDACTED], and Dr. Benzeevi's [REDACTED] related to the Celtic loan proceeds. As indicated in the attachment, proceeds from the loan were deposited into HCCA's [REDACTED] and mixed with an existing balance of [REDACTED] in unrelated monies for a total balance of [REDACTED]. Thereafter the following three disbursements were made: (1) on September 7, 2017, \$133,526 was disbursed to a separate District bank account, (2) on September 11, 2017, [REDACTED] was disbursed to [REDACTED], and (3) on September 13, 2017, [REDACTED]

28. [REDACTED]

29. [REDACTED]

[REDACTED] On August 22, 2018, these funds were frozen based on the allegation that all of the frozen funds are proceeds from the \$3,000,000 Celtic loan.²⁹

30. [REDACTED]

²⁹ Screenshot of online banking detail from July 23, 2018 to August 23, 2018 for JPMorgan Chase Account ending in [REDACTED].

1 [REDACTED]
2 [REDACTED] was used to fund TRMC's payroll requirements with ADP. Without the [REDACTED]
3 [REDACTED], the District may not have been able
4 to fund payroll in that time period.

5 31. Based on my analysis of the flow of funds from the \$3,000,000 Celtic loan, I have
6 found that it is not possible to specifically determine if all, any, or none of the frozen funds in the
7 [REDACTED] consists of proceeds from the Celtic loan. Money is a fungible resource. The
8 moment it is mixed with other, unrelated money, both become unidentifiable from their original
9 sources. The Celtic loan proceeds were combined with at least [REDACTED] of unrelated, non-
10 Celtic funds. This amount represents: (1) funds that existed in the accounts before any of the
11 transfers related to the Celtic loan proceeds were performed and (2) funds that were deposited
12 into the [REDACTED] after the initial transfer of funds from the [REDACTED]. It is therefore not
13 possible to trace the Celtic loan money to a specific transaction.

14 32. There are generally two methods available to specifically account for the Celtic
15 loan proceeds: (1) maintain the proceeds in a separate bank account and prohibit mixing with any
16 other funds or (2) if the funds are mixed, then maintain a separate accounting ledgers for each
17 individual deposit and accordingly account for, track, and match specific deposits with specific
18 disbursements. Neither of these methods was contemporaneously performed with the [REDACTED]
19 [REDACTED]. Accordingly, it is impossible to *specifically identify* if all, any, or none of the frozen
20 funds is comprised of Celtic loan proceeds.

21 33. In the absence of specifically identifying portion of the frozen funds that is in fact
22 Celtic loan proceeds, there are two generally accepted approaches for *estimating* the portion of
23 the frozen funds that is related to the Celtic loan proceeds. The first method is referred to as the
24 last cash in, first cash out method or the "LIFO" method. The second method is referred to as the
25 first cash in, first cash out method or the "FIFO" method. It is important to emphasize that LIFO
26 and FIFO are merely theoretical constructs for thinking about how money from multiple sources
in a single account might be treated; there is no factual basis in this case for assuming either that

1 the last dollar deposited into the [REDACTED] was the first dollar spent (i.e., LIFO) or that the
2 first dollar deposited into the [REDACTED] was the first dollar spent (i.e., FIFO). I have estimated
3 the portion of the frozen funds in Dr. Benzeevi's [REDACTED] using both of these methods.

4 a. LIFO – The LIFO method is presented in **Attachment 12**. As indicated in
5 the attachment, the [REDACTED]

6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]

12 b. FIFO – The FIFO method is presented in **Attachment 13**. As indicated in
13 the attachment, the beginning balance of [REDACTED]

14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]

18 Although the FIFO method presents a reasonable estimate, it is important
19 to note that the [REDACTED] is comprised of Celtic loan funds and funds that
20 were present in the accounts before the Celtic loan related transfers were
21 performed. Accordingly, the maximum amount of the Celtic loan funds
22 that could be part of the frozen funds on August 22, 2018 is likely less than
23 [REDACTED].

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CONCLUSION

34. Based on the foregoing discussion and analysis, HCCA and/or Dr. Benzeevi did not misappropriate District funds. In fact, HCCA and Dr. Benzeevi loaned the District substantial amounts of funds throughout the tenure of the MSA and, as of the date of the Celtic loan and continuing through today, the District owes HCCA and Dr. Benzeevi substantial amounts of unpaid monies.

35. Further, the Celtic loan proceeds contained in Dr. Benzeevi's [REDACTED] cannot be specifically identified with any reasonable professional certainty due to substantial mixing of funds with other unrelated, non-Celtic loan funds. The best estimate of the amount of Celtic funds contained in the frozen funds is an amount that is likely substantially less than [REDACTED].

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed this 19 day of September, 2018 at Los Angeles, California.



J. Duross O'Bryan

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ATTACHMENT 1

DECLARATION OF J. DUROSS O'BRYAN, CPA

Attachment 1
J. Duross O'Bryan CV

J. Duross O'Bryan is a Partner at Resolution Economics LLC. With over 30 years of experience, Duross is a known and respected financial services industry leader with an extensive background solving sophisticated accounting and economic challenges and a track record of working effectively and quickly with his clients.

Duross joined Resolution Economics from AlixPartners, LLC where he was a Managing Director in the Financial Advisory Services group. Prior to AlixPartners, Duross worked at PricewaterhouseCoopers where he served as the Partner-In-Charge of the Dispute Analysis and Investigations practice for the firm's western region and as an Audit Partner in their Los Angeles office. Previously, he served as the Financial Advisory Services Leader of the New York Metro Region of PwC. Before joining Coopers & Lybrand (now PwC) in 1985, Duross was with the San Diego office of Peat Marwick Mitchell & Co., specializing in financial statement audits.

Duross' audit engagement experience spanned from 1978 to 2001 with both Peat Marwick Mitchell & Co. and PwC. His audit career included roles ranging from new staff accountant up to the signing Engagement Partner. He has worked on hundreds of audit or attest engagements and has signed as Engagement Partner on dozens of audit or attest opinions. Duross specialized in financial institutions where he participated in over 200 financial institution audits. His experience in the financial institution sector includes investment banks, real estate investment companies, broker-dealer entities, and private equity funds. He also has significant experience in matters involving high-tech, governmental, manufacturing, insurance, and real estate.

His consulting and testifying experience as either the lead consultant and/or expert in matters involving Generally Accepted Accounting Principles, Generally Accepted Auditing Standards, accounting malpractice, and forensic accounting matters now exceeds more than one hundred engagements. He has been qualified as an expert forensic accountant witness and has testified in dozens of State Superior Courts, United States Federal Courts, and in domestic and international arbitration matters. In addition, he has acted as an independent arbitrator and forensic consultant in a number of matters involving complex post-merger and acquisition disputes, adjustments to purchase price, disbursement frauds, commingling of restricted funds, and other sophisticated financial accounting issues.

Examples of his experience involving matters related to investigations include but are not limited to: (1) investigated the sources and uses of funds from the trust of a well-known celebrity, (2) investigated alleged misappropriation and embezzlement of funds by the trustee of a large family trust, (3) audited the financial statements of the U.S. Bankruptcy Trustee in San Diego, (4) acted as a forensic accountant on a Federal Bankruptcy case in Southern California,

Attachment 1
J. Duross O'Bryan CV

(5) investigated the sources and uses of funds from a family trust used to acquire a professional sports franchise, (6) conducted an evaluation of a "Big Four" audit firms' consulting on a tax related issue related to a significant family trust whose primary asset was in real estate, and (7) investigated cash disbursements made by the Trustee on behalf of multiple irrevocable family trusts to affiliated entities and individuals.

A recent sampling of his commercial litigation experience includes, but is not limited to:

- Retained as an expert witness on behalf of a large U.S. based financial institution in a case concerning the acquisition of an investment bank and related goodwill accounting, due diligence procedures, and required accounting disclosures.
- Performed a forensic investigation into the contributions, distributions, and transfers of funds between shareholders, partners, and related-party entities of an agricultural business.
- Acted as a forensic expert and lead consultant on an engagement defending the officer of a company who had allegedly participated in a material accounting fraud and was also accused of other criminal charges including tax evasion.
- Provided expert witness services in a post-acquisition dispute between an international buyer and seller of a company. The dispute involved the preparation of U.S. GAAP financial statements in conjunction with issues related to international tax code.
- Served as a forensic/accounting fraud consultant and was eventually named as an expert in, a matter involving a publicly held company accused of improper revenue recognition.
- Investigated cash payments to and from certain individuals and related entities with alleged interest in a large dairy company.
- Named as an expert for a well-known audit firm sued over issues concerning alleged non-GAAP accounting and violations of GAAS related to a public registrant based in China.
- Directed an investigation into the alleged misappropriation of funds by a real estate developer and hotel management company.

Attachment 1
J. Duross O'Bryan CV

- Named as an expert in a matter involving a large national public accounting firm concerning issues related to a significant professional negligence claim.
- Investigated complex financial facilities between several major financial institutions and a professional sports franchise.
- Lead a forensic investigation in a large publicly traded company involving allegations of improper revenue and expense recognition issues.
- Acted as an expert witness on behalf of a "Big Four" accounting firm in a matter alleging an audit failure relating to the firm's "non-discovery" of a highly collusive management fraud.
- Acted as the forensic accountant leading a multi-billion dollar cost study for a large company involved in multi-million dollar litigation.
- Acted as an economic damages expert on an engagement defending a Fortune 500 financial institution who had allegedly breached their contract with a hedge fund.
- Acted as an expert witness on behalf of a large company in what was one of the largest intellectual property based damage cases of its time involving damages over alleged infringing technology used in the aeronautical engineering field.
- Determined the solvency of a large mortgage lender prior to the collapse of the commercial paper market in August 2007.
- Calculated the alleged economic damages sustained by a series of credit unions as a result of a theft of hundreds of residential mortgages.
- Named as an expert in a matter involving a large national public accounting firm concerning services, damages and other aspects of a professional negligence claim.
- Consulted on behalf of an international D&O insurer concerning potential liabilities of clients allegedly involved in violating securities laws by "rigging" a tender offer in favor of certain insiders to assure votes in support of a pending merger transaction.

Attachment 1
J. Duross O'Bryan CV

- Directed a forensic investigation on behalf of the board of directors for a large company in an attempt to determine whether an alleged fraud might lead to insolvency.
- Acted as an expert in a matter involving a complex forensic and reconstructive analysis of what the management of a public company knew about the degradation of its accounts receivable, revenue quality, and its ability to continue as a going concern.
- Acted as the lead forensic accountant on behalf of a Northern California municipality in a matter involving third party payments, rents and other economic damage issues.
- Was the forensic accountant leading a multi-billion dollar cost study for a large company involved in a several large litigations.
- Acted as an expert witness on behalf of a Beverly Hills based CPA who allegedly committed professional malpractice through the administration of various accounting, consulting, and other business services offered to a significant client.
- Testified as a defense expert on a matter involving alleged breaches of the appropriate standard of care involving the rendering of public accounting and other due diligence services by a large public firm in support of its client's purchase transaction.
- Directed a forensic investigation and served as an expert in an intellectual property matter involving proprietary engineering used in medical devices that purportedly contained patent infringing technologies.
- Lead an investigation of an auto club's financial statements and corporate structure to determine if an affiliated insurance entity was required to be consolidated under Generally Accepted Accounting Principles.
- Directed an investigation into a county government's collection, accounting, disbursements and appropriation of sales tax revenue to various public safety agencies of the county.
- Named as an expert in a forensic investigation into the construction, operation, and maintenance of a massive floating dredge to determine if alleged delays caused economic damages.

Attachment 1
J. Duross O'Bryan CV

Duross earned his bachelor's degree in Accounting from Northern Arizona University. In addition, he is a member of the California Society of Certified Public Accountants and the American Institute of Certified Public Accountants.

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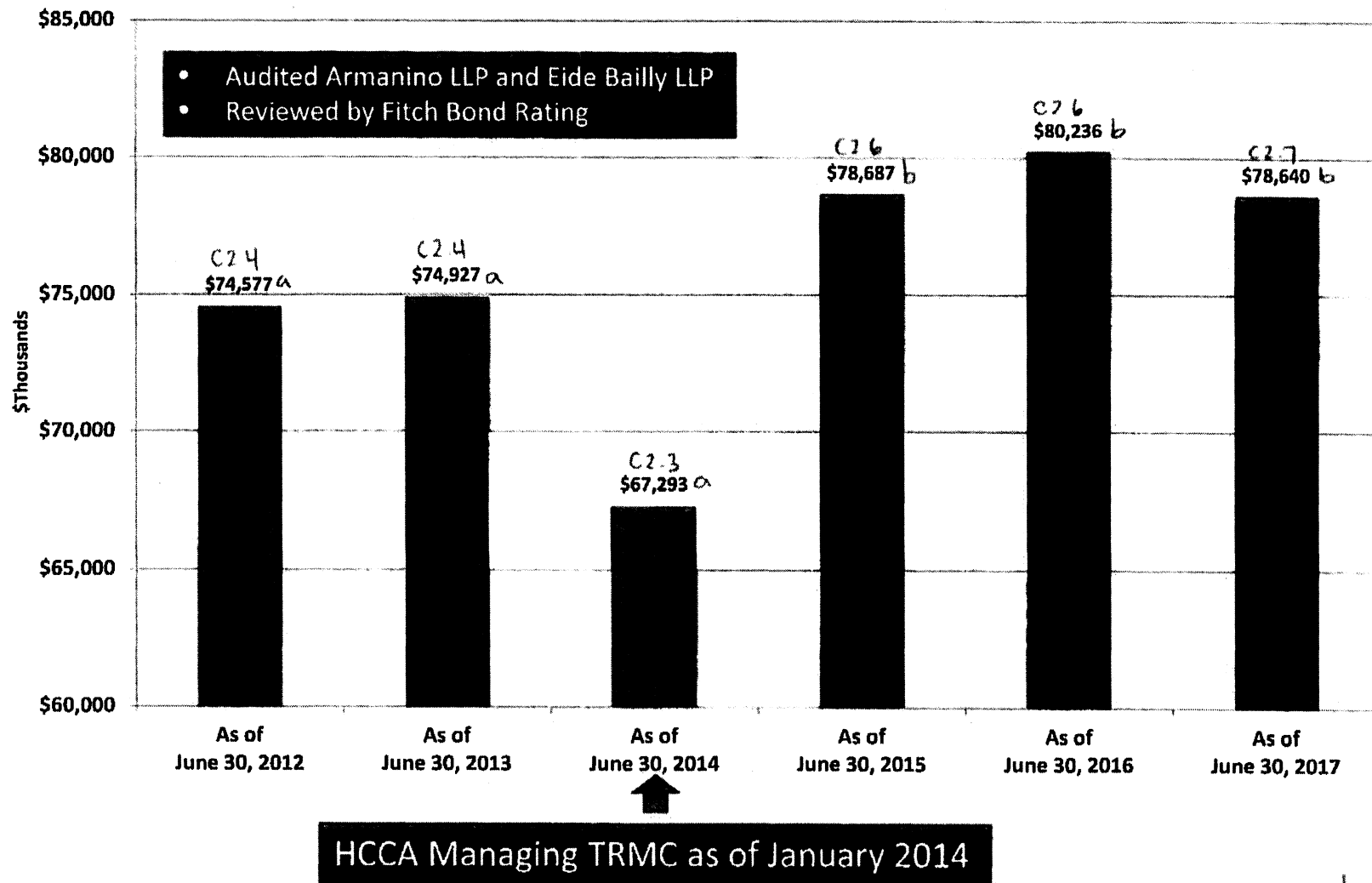
ATTACHMENT 2

DECLARATION OF J. DUROSS O'BRYAN, CPA

Attachment 2 TRMC Revenue

average of a = \$72,266

average of b = \$79,188



Sources: TRMC audited and unaudited financial statements for the periods ending June 30, 2014 – 2017.

**Tulare Local Health Care District
dba Tulare Regional Medical Center**

Financial Statements

June 30, 2014

(With Comparative Totals for June 30, 2013)

armanino 

C22

MANAGEMENT'S DISCUSSION AND ANALYSIS

TABLE 3
Financial Analysis of the District (continued)

**Condensed Statements of Revenues, Expenses, and
Changes in Net position
(in Thousands)**

The following table presents a summary of the District's revenues, expenses, and changes in net position:

	Years Ended			
	June 30, 2014	June 30, 2013	Dollar Change	Total % Change
Net patient services revenue	\$64,164	\$67,625	\$(3,461)	-5.1%
Other operating revenue	3,128	7,302	(4,174)	-57.2%
Total operating revenues	67,293	74,927	(7,634)	-10.2%
Salaries and benefits	31,459	36,200	(4,741)	-13.1%
Medical and other supplies	8,738	11,633	(2,895)	-24.9%
Medical and other fees and services	20,921	22,504	(1,583)	-12.7%
Maintenance, utilities, and rent	2,802	2,658	144	7.0%
Depreciation and amortization	4,402	4,026	376	9.3%
Other	1,941	922	1,019	110.5%
Total operating expenses	70,264	77,943	(7,679)	-9.9%
Operating loss	(2,972)	(3,016)	44	1.5%
Non-operating revenues & expenses	1,227	1,707	(480)	-28.1%
Loss before taxes for GO bond debt	(1,745)	(1,308)	(437)	-33.4%
District taxes for GO bond debt	6,117	6,039	78	1.3%
Change in net position	\$ 4,372	\$ 4,731	\$ (359)	-7.6%
Net position – beginning of year	\$55,245	\$50,514	\$4,731	9.4%
Net position – end of year	\$59,617	\$55,245	\$4,372	7.9%

MANAGEMENT'S DISCUSSION AND ANALYSIS

TABLE 4
Financial Analysis of the District (continued)

**Condensed Statements of Revenues, Expenses, and
Changes in Net position
(in Thousands)**

The following table presents a summary of the District's revenues, expenses, and changes in net position:

	Years Ended			
	June 30, 2013	June 30, 2012	Dollar Change	Total % Change
Net patient services revenue	\$67,625	\$66,904	\$ 721	1.1%
Other operating revenue	7,302	7,673	(371)	-4.8%
Total operating revenues	74,927	74,577	350	0.5%
Salaries and benefits	36,200	40,058	(3,858)	-9.6%
Medical and other supplies	11,633	12,188	(555)	-4.6%
Medical and other fees and services	22,504	24,091	(1,587)	-6.6%
Maintenance, utilities, and rent	2,658	2,773	(115)	-4.3%
Depreciation and amortization	4,026	3,143	883	28.1%
Other	922	2,912	(1,990)	-68.3%
Total operating expenses	77,943	85,165	(7,222)	-8.5%
Operating loss	(3,016)	(10,588)	7,572	71.5%
Non-operating revenues & expenses	1,707	1,320	387	29.3%
Income before taxes for GO bond debt	(1,308)	(9,268)	7,960	85.9%
District taxes for GO bond debt	6,039	6,088	(49)	-0.8%
Change in net position	\$ 4,731	\$(3,180)	\$ 7,911	248.8%
Net position - beginning of year	\$50,514	\$53,694	\$(3,180)	-5.9%
Net position - end of year	\$55,245	\$50,514	\$ 4,731	9.4%

Financial Statements
June 30, 2016 and 2015
Tulare Regional Medical Center

TABLE 2
Financial Analysis of the District (continued)

Condensed Statements of Revenues, Expenses, and Changes in Net position
(In Thousands)

The following table presents a summary of the District's revenues, expenses, and changes in net position:

	June 30, 2016	June 30, 2015	\$ Change	% Change
Net patient services revenue	\$ 76,277	\$ 76,502	\$ (225)	-0.3%
Other operating revenue	3,959	2,185	1,774	81.2%
Total operating revenue	80,236	78,687	1,549	2.0%
Salaries & benefits	-	12,438	(12,438)	-100.0%
Medical and other supplies	9,233	9,485	(252)	-2.7%
Pro. Fees and purchased services	58,948	38,901	20,047	51.5%
Depreciation and amortization	3,607	4,128	(521)	-12.6%
Other	5,949	6,291	(342)	-5.4%
Total operating expense	77,737	71,243	6,494	9.1%
Operating income	2,499	7,444	(4,945)	-66.4%
Non-operating revenues & expenses	7,219	9,048	(1,829)	-20.2%
Revenue in excess of expenses	9,718	16,492	(6,774)	-41.1%
Change in net position	9,718	16,492	(6,774)	-41.1%
Net position - beginning of year	76,151	59,659	16,492	27.6%
Prior year restatement	6,497			100.0%
Net position - end of year	\$ 92,366	\$ 76,151	\$ 9,718	12.8%

**Tulare Regional Medical Center
Proposed FY18 Budget**

	<u>FY16 Actual</u>	<u>FY17 Unaudited</u>	<u>FY18 Budget</u>
NET PATIENT REVENUE	60,604,438	76,073,391	65,057,954
SUPPLEMENTAL FUNDS	15,672,733	17,614,577	16,157,400
OTHER OPERATING REVENUE	<u>3,960,892</u>	<u>2,566,603</u>	<u>2,756,229</u>
TOTAL OPERATING REVENUE	80,238,063	78,639,994	C2-183,971,583
 SALARIES, WAGES & BENEFITS	 (169,814)	 (0)	 -
PROFESSIONAL FEES	3,755,953	4,069,186	3,133,298
PROFESSIONAL FEES, PHYSICIANS	5,182,458	6,301,287	6,516,253
SUPPLIES	9,988,172	8,834,964	9,252,426
PURCHASED SERVICES	10,762,242	11,414,565	12,114,725
PURCHASED HCCA LABOR	36,992,270	37,175,945	37,631,851
REPAIRS & MAINTENANCE	345,953	472,582	445,442
UTILITIES & PHONE	1,559,182	1,560,939	1,680,825
BLDG & EQUIPMENT RENTAL	803,356	637,746	637,746
INSURANCE	814,735	1,270,010	1,308,110
OTHER OPERATING EXPENSES	<u>1,369,831</u>	<u>1,877,028</u>	<u>2,038,991</u>
TOTAL OPERATING EXPENSE	71,404,338	73,614,252	74,759,669
 EARNINGS BEFORE DEPR & MGMT FEE	 8,833,725	 5,025,742	 9,211,914
<i>As a % of Total Operating Revenue</i>	<i>11.0%</i>	<i>6.4%</i>	<i>11.0%</i>
 DEPRECIATION & AMORTIZATION	 (3,607,430)	 (3,375,244)	 (3,451,201)
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 INCREASE IN NET POSITION	 <u>9,722,686</u>	 <u>6,195,168</u>	 <u>9,643,450</u>
	12.1%	7.9%	11.5%

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ATTACHMENT 3

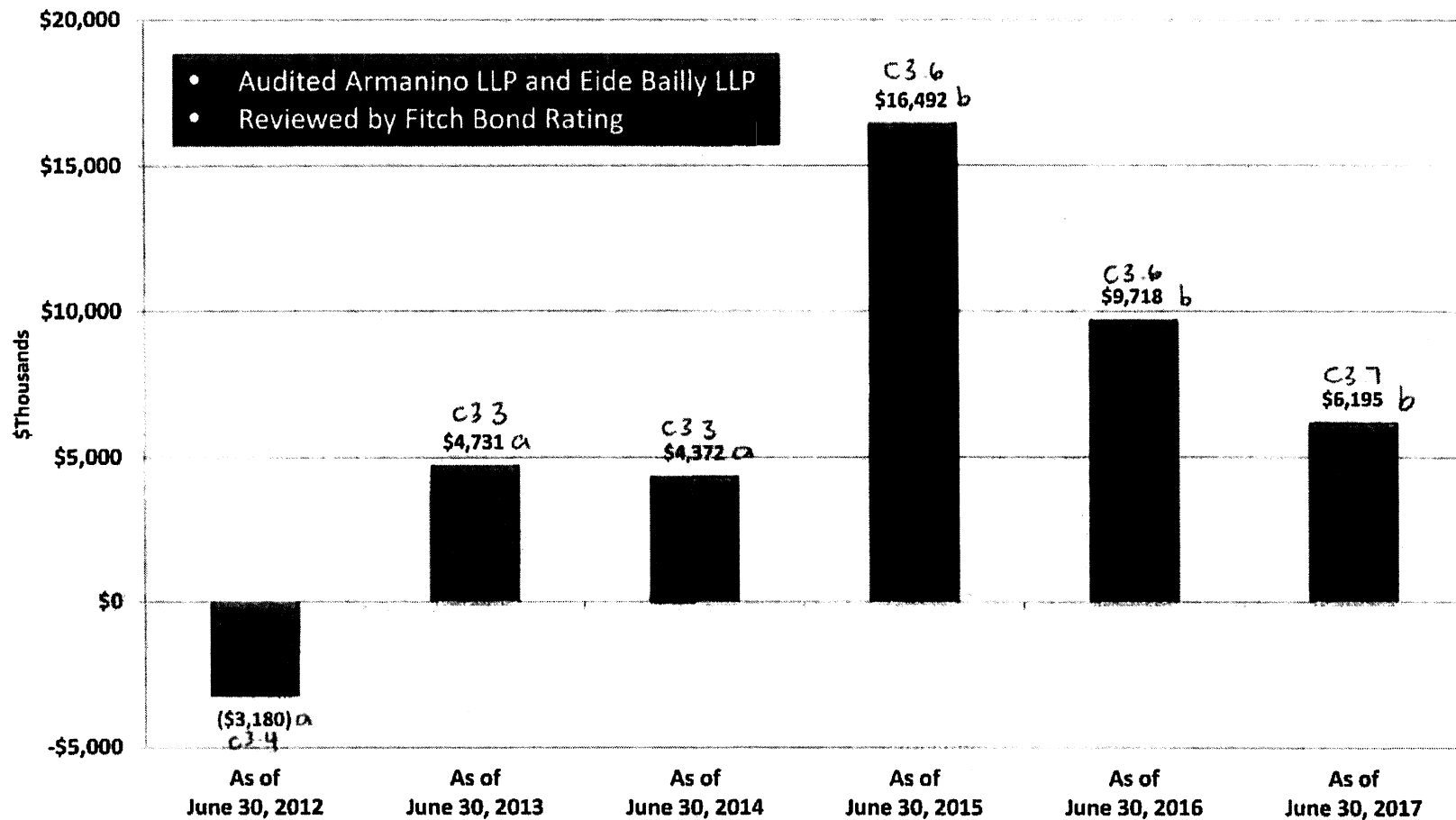
DECLARATION OF J. DUROSS O'BRYAN, CPA

Attachment 3

TRMC Net Income

average of a = \$1,974

average of b = \$10,802



HCCA Managing TRMC as of January 2014

Sources: TRMC audited and unaudited financial statements for the periods ending June 30, 2014 – 2017.

C3.1

**Tulare Local Health Care District
dba Tulare Regional Medical Center**

Financial Statements

June 30, 2014

(With Comparative Totals for June 30, 2013)

armanino 

MANAGEMENT'S DISCUSSION AND ANALYSIS

TABLE 3
Financial Analysis of the District (continued)

**Condensed Statements of Revenues, Expenses, and
Changes in Net position
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MANAGEMENT'S DISCUSSION AND ANALYSIS

TABLE 4
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Financial Statements
June 30, 2016 and 2015

Tulare Regional Medical Center

www.eidebailly.com

TABLE 2
Financial Analysis of the District (continued)

Condensed Statements of Revenues, Expenses, and Changes in Net position
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Change in net position	9,718	16,492	(6,774)	-41.1%
Net position - beginning of year	76,151	59,659	16,492	27.6%
Prior year restatement	6,497			100.0%
Net position - end of year	\$ 92,366	\$ 76,151	\$ 16,215	21.3%

**Tulare Regional Medical Center
Proposed FY18 Budget**

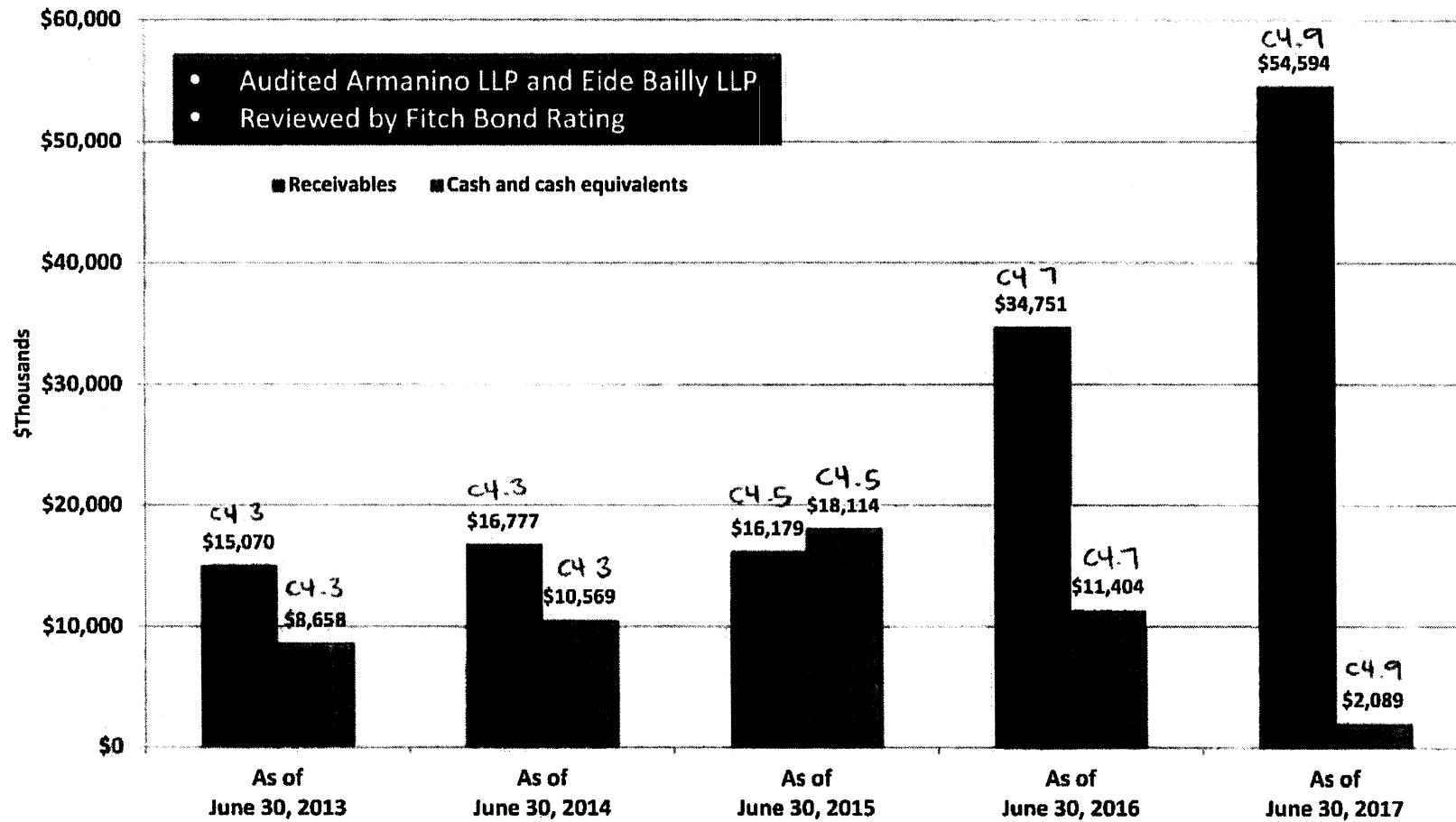
	FY16 <u>Actual</u>	FY17 <u>Unaudited</u>	FY18 <u>Budget</u>
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SUPPLEMENTAL FUNDS	15,672,733	17,614,577	16,157,400
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INCREASE IN NET POSITION	<u>9,722,686</u>	<u>6,195,168</u>	<u>C3-19,643,450</u>
	<i>12.1%</i>	<i>7.9%</i>	<i>11.5%</i>

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ATTACHMENT 4
DECLARATION OF J. DUROSS O'BRYAN, CPA

Attachment 4

TRMC's Accounts Receivables and Cash



HCCA Managing TRMC as of January 2014

Sources: TRMC audited and unaudited financial statements for the periods ending June 30, 2014 – 2017.

C4-1

**Tulare Local Health Care District
dba Tulare Regional Medical Center**

Financial Statements

June 30, 2014

(With Comparative Totals for June 30, 2013)

armanino 

TULARE REGIONAL MEDICAL CENTER

Statement of Net Position

June 30, 2014

Total Receivables (in 000s):

(with comparative totals for 2013) 2013: $\$a = \$15,070$ C4.1

2014: $\$b = \$16,771$ C4.1

ASSETS

	<u>2014</u>	<u>2013</u>
Current assets		
Cash and cash equivalents	\$ 10,568,946	\$ 8,657,613
Assets limited as to use available for current debt service	7,389,395	8,648,655
Patient accounts receivable, net of allowances	7,033,711 ^b	7,763,678 ^a
Other receivables and physician advances	9,743,501 ^b	7,305,939 ^a
Inventories	961,953	1,349,617
Prepaid expenses and deposits	422,634	976,027
Total current assets	<u>36,120,140</u>	<u>34,701,529</u>
Assets limited as to use, long term	6,153,681	15,177,000
Capital assets, net of accumulated depreciation	148,753,523	133,693,937
Bond issuance costs, net of accumulated amortization	<u>1,128,068</u>	<u>1,289,694</u>
Total assets	<u>\$ 192,155,412</u>	<u>\$ 184,862,160</u>

LIABILITIES AND NET POSITION

Current liabilities		
Current maturities of debt borrowings	\$ 2,036,139	\$ 1,698,152
Accounts payable and accrued expenses	14,134,570	11,180,505
Accrued payroll and related liabilities	2,068,077	2,382,591
Estimated current third party payor settlements	1,976,974	1,101,828
Self-insurance program accrual	1,039,656	918,000
Total current liabilities	<u>21,255,416</u>	<u>17,281,076</u>
Deferred revenue	9,464,703	9,079,552
Debt borrowings, net of current maturities	<u>101,818,427</u>	<u>103,256,666</u>
Total liabilities	<u>132,538,546</u>	<u>129,617,294</u>
Net position		
Net investment in capital assets	46,076,431	40,621,937
Restricted, by bond indenture for debt service	2,258,443	2,143,763
Unrestricted	<u>11,281,992</u>	<u>12,479,166</u>
Total net position	<u>59,616,866</u>	<u>55,244,866</u>
Total liabilities and net position	<u>\$ 192,155,412</u>	<u>\$ 184,862,160</u>

The accompanying notes are an integral part of these financial statements.

**Tulare Local Health Care District
dba Tulare Regional Medical Center**
Financial Statements and Supplementary Information
June 30, 2015 and 2014

armanino 

TULARE REGIONAL MEDICAL CENTER

Statements of Net Position June 30, 2015 and 2014

Total Receivables (in 000s):

2015: $\$20 = \$16,179$ C4.1

ASSETS

	<u>2015</u>	<u>2014</u>
Current assets		
Cash and cash equivalents	\$ 18,113,754 C4.1	\$ 10,568,946
Assets limited as to use available for current debt service	7,631,447	7,389,395
Patient accounts receivable, net of allowances	10,561,556 a	7,033,711
Other receivables and physician advances	5,373,060 a	9,743,501
Inventories	1,083,317	961,953
Estimated current third party payor settlements	244,404 a	-
Prepaid expenses and deposits	580,517	422,634
Total current assets	<u>43,588,055</u>	<u>36,120,140</u>
Assets limited as to use, long term	5,445,832	6,153,681
Capital assets, net of accumulated depreciation	157,407,524	148,753,523
Bond issuance costs, net of accumulated amortization	<u>966,442</u>	<u>1,128,068</u>
 Total assets	 <u>\$ 207,407,853</u>	 <u>\$ 192,155,412</u>

LIABILITIES AND NET POSITION

Current liabilities		
Current maturities of debt borrowings	\$ 4,526,662	\$ 2,036,139
Accounts payable and accrued expenses	16,568,754	14,134,570
Accrued payroll and related liabilities	-	2,068,077
Estimated current third party payor settlements	-	1,976,974
Self-insurance program accrual	<u>191,246</u>	<u>1,039,656</u>
Total current liabilities	21,286,662	21,255,416
Deferred revenue	9,418,650	9,464,703
Debt borrowings, net of current maturities	<u>100,551,494</u>	<u>101,818,427</u>
Total liabilities	<u>131,256,806</u>	<u>132,538,546</u>
Net position		
Net investment in capital assets	52,329,368	46,076,431
Restricted, by bond indenture for debt service	2,926,703	2,258,443
Unrestricted	<u>20,894,976</u>	<u>11,281,992</u>
Total net position	<u>76,151,047</u>	<u>59,616,866</u>
 Total liabilities and net position	 <u>\$ 207,407,853</u>	 <u>\$ 192,155,412</u>

The accompanying notes are an integral part of these financial statements.

Financial Statements
June 30, 2016 and 2015

Tulare Regional Medical Center

Tulare Regional Medical Center
Statement of Net Position
June 30, 2016

Total Receivables (in 000s):

2016: CA = 24,751 CH

Assets

Current Assets

Cash and cash equivalents	\$ 11,404,419 CH.
Assets limited as to use available for current debt service	6,044,283
Receivables	
Patient, net of estimated uncollectibles of \$3,160,000	11,094,457 a
Estimated third-party payor settlements	15,366,476
Property taxes	5,838,774
Other	2,450,830
Supplies	1,206,592
Prepaid expenses and other	789,846
	<hr/>
Total current assets	54,195,677

Noncurrent Cash

Restricted by trustee for debt reserve	<hr/> 5,498,311
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Capital Assets

Capital assets not being depreciated	140,414,057
Capital assets being depreciated, net	<hr/> 19,505,206
	<hr/>
Total capital assets	159,919,263

Other Assets

Notes receivable	<hr/> 264,478
	<hr/>
Total assets	219,877,729

Deferred Outflows of Resources

Refunding costs	<hr/> 585,183
	<hr/>
Total assets and deferred outflows of resources	<u>\$ 220,462,912</u>

Tulare Regional Medical Center
Financial Statistics Summary
June 30, 2017

	Current Month				Year-to-Date				Prior year YTD	Increase/ (Decrease)	% Chg.
	Actual	Budget	Variance	% Var	Actual	Budget	Variance	% Var.			
<u>Inpatient Utilization</u>											
Acute Patient Days	3,082	3,477	(395)	-11%	13,429	15,437	(2,008)	-13%	16,257	(2,828)	-17%
Discharges	713	871	(158)	-18%	2,942	3,835	(893)	-23%	3,373	(431)	-13%
Average Length of Stay	4.32	3.99	0.33	8%	4.56	4.03	0.54	13%	4.40	0.17	4%
<u>Discharges</u>											
Medicare	255	265	(10)	-4%	998	1,149	(151)	-13%	1,082	(84)	-8%
Medicare MC	44	59	(15)	-25%	152	176	(24)	-13%	137	15	11%
Medi-Cal	53	117	(64)	-55%	247	597	(350)	-59%	405	(158)	-39%
Medi-Cal MC	265	292	(27)	-9%	1,132	1,342	(210)	-16%	1,236	(104)	-8%
HMO/CEO	81	109	(28)	-26%	327	464	(137)	-30%	415	(88)	-21%
Self-Pay	8	14	(6)	-43%	32	39	(7)	-17%	50	(18)	-36%
Other	7	15	(8)	-54%	54	69	(15)	-21%	48	6	13%
	713	871	(158)	-18%	2,942	3,835	(893)	-23%	3,373	(431)	-13%
<u>Case Mix Index</u>											
Medicare	0.8940	1.7933	(0.8993)	-50%	1.2884	1.4005	(0.1121)	-8%	1.3287	(0.0403)	-3%
Medi-Cal	1.1070	0.8148	0.2922	36%	1.0178	0.8434	0.1744	21%	0.9509	0.0669	7%
Overall	0.9640	1.1373	(0.1733)	-15%	1.1191	1.0176	0.1015	10%	1.0527	0.0663	6%
<u>Newborn Deliveries</u>											
	120	276	(156)	-57%	528	1,139	(611)	-54%	750	(222)	-30%
<u>Observation</u>											
Patients	-	131	(131)	-100%	408	1,432	(1,024)	-72%	1,004	(596)	-59%
Hours	-	3,072	(3,072)	-100%	5,359	33,624	(28,265)	-84%	41,508	(36,149)	-87%
Equivalent days	-	131	(131)	-100%	223	1,432	(1,209)	-84%	1,114	(891)	-80%
<u>Surgery Services</u>											
Inpatient Cases	119	205	(86)	-42%	528	859	(331)	-39%	672	(144)	-21%
Outpatient Cases	260	488	(228)	-47%	1,143	2,036	(893)	-44%	1,787	(644)	-36%
Total surgeries	379	693	(314)	-45%	1,671	2,895	-	-42%	2,459	(788)	-32%
<u>Emergency Room</u>											
Visits	6,606	8,888	(2,282)	-26%	31,407	36,653	(5,246)	-14%	32,605	(1,198)	-4%
Admits	482	558	(76)	-14%	2,275	2,301	(26)	-1%	2,000	275	14%

Total RECEIVABLES (in 000s):

2017: \$A = \$64,594 CH-1

TULARE REGIONAL MEDICAL CENTER
Balance Sheet for the period ended 6/30/2017
unaudited

	This year	Last year	Increase/ (Decrease)	Inc/(Dec) percentage
Current assets:				
Cash and cash equivalents	\$2,088,851 CH-1	\$1,404,417	(\$9,315,566)	(81.7%)
Ltd use assets avail for curr debt srv	6,166,780	6,044,283	122,497	2.0%
Patient accounts receivable:				
Gross pt accounts receivable	81,064,255	51,672,852	29,391,403	56.9%
Contractual allowances	(54,242,881)	(37,412,314)	(16,830,567)	45.0%
Provision for bad debts & charity	(1,926,793)	(3,166,079)	1,239,286	(39.1%)
Net pt accounts receivable	24,894,581 CH-1	11,094,459	13,800,122	124.4%
Other receiv. & phys. advances				
Tax revenue receivable	6,324,648	6,726,543	(401,895)	(6.0%)
Misc receivables	23,107,256	15,882,788	7,224,469	45.5%
Physician advances	267,700	264,477	3,223	1.2%
Total other receivables	29,699,604 CH-1	22,873,808	6,825,797	29.8%
Inventories	1,170,647	1,206,593	(35,945)	(3.0%)
Prepaid expenses & deposits	740,469	789,846	(49,378)	(6.3%)
Total current assets	64,760,932	53,413,406	11,347,527	21.2%
Assets limited as to use:				
GO bond construction fund	-	-	-	0.0%
Restricted trust funds, other	5,372,456	5,498,312	(125,856)	(2.3%)
Total limited use assets	5,372,456	5,498,312	(125,856)	(2.3%)
Capital assets:				
Land & land improvements	3,301,871	3,301,871	-	0.0%
Bldgs & bldg improvements	45,382,391	44,849,285	533,106	1.2%
Leasehold improvements	607,391	607,391	-	0.0%
Major movable equipment	38,262,991	35,893,909	2,369,083	6.6%
Construction in progress	142,236,501	138,188,920	4,047,581	2.9%
Gross capital assets	229,791,145	222,841,376	6,949,770	3.1%
Accumulated depreciation	(64,019,159)	(62,922,112)	(1,097,048)	1.7%
Net capital assets	165,771,986	159,919,264	5,852,722	3.7%
Bond issuance costs & other assets	450,941	585,183	(134,242)	(22.9%)
Intercompany receivable	-	401,418	(401,418)	(100.0%)
TOTAL ASSETS	\$236,356,315	\$219,817,583	\$16,538,733	7.5%
Current liabilities:				
Current maturities of debt borrowings	\$2,072,413	\$2,082,684	(\$10,271)	(0.5%)
Accounts payable	19,675,741	13,473,820	6,201,921	46.0%
Other accrued liabilities	7,014,366	5,184,360	1,830,007	35.3%
Accrued payroll & related liabilities	-	8,056	(8,056)	(100.0%)
Est current 3rd party payor settlements	34,319	(563,808)	598,127	(106.1%)
Self insurance program accrual	440,000	180,000	260,000	144.4%
Total current liabilities	29,236,839	20,365,112	8,871,728	43.6%
Long-term liabilities:				
Deferred revenue	5,482,558	5,729,564	(247,006)	(4.3%)
Debt borrowings, net of curr maturities	99,932,991	100,950,448	(1,017,457)	(1.0%)
TOTAL LIABILITIES	134,652,388	127,045,124	7,607,265	6.0%
Net assets:				
Retained Earnings	95,507,495	82,648,355	12,859,141	15.6%
Increase in net assets	6,196,432	9,722,686	(3,526,254)	(36.3%)
Total net assets	101,703,927	92,371,041	9,332,886	10.1%
Intercompany payable	-	401,418	(401,418)	(100.0%)
TOTAL LIABILITIES & NET ASSETS	\$236,356,315	\$219,817,583	\$16,538,733	7.5%

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ATTACHMENT 5

DECLARATION OF J. DUROSS O'BRYAN, CPA

Attachment 5

Unpaid MSA Fees			
HCCA MSA Fees Earned 2014 - 2017			
Management Fee	Attachment 6		11,354,992
Employee Lease Charge	Attachment 7		7,975,668
Sub-total			19,330,660
Cash Received by HCCA 2014 - 2017			
Cash in from HCCA	Attachment 10		2,431,600
Cash out to HCCA	Attachment 10		(20,473,928)
Sub-total			(18,042,328)
Unpaid MSA Fees			1,288,332

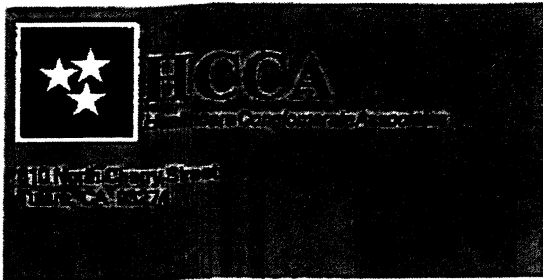
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ATTACHMENT 6

DECLARATION OF J. DUROSS O'BRYAN, CPA

Attachment 6

Summary of Management Fees 01/01/14 - 11/22/17						F	G = C x F
A Begin	B End	C = B - A Months	D CPI Increase ¹	E Addtl Increase ²	Monthly Amount ³		Total
01/10/14	02/13/14	1.17	n/a	n/a	CG.2 175,000		205,444
02/14/14	05/28/14	3.44	n/a	n/a	CG.5 224,623		772,466
05/29/14	12/31/14	7.10	n/a	n/a	CG.7 225,000		1,596,774
01/01/15	12/31/15	12.00	5%	1%	CG.8 238,613		2,863,350
01/01/16	12/31/16	12.00	5%	1%	253,049		3,036,583
01/01/17	11/22/17	10.73	5%	1%	I 268,358		2,880,376
Total							11,354,992
Sources:							
1. MSA, May 29, 2014, 6(b)(ii)(1) and U.S. City Average Consumer Price Index for Urban Wage Earners and Clerical Workers — Medical Care Services (1982-84 equals 100)							
2. MSA, May 29, 2014, 6(b)(ii)(3)							
3. Invoice between HCCA and the District dated April 10, 2014; First Amendment to Management Services Agreement dated February 14, 2014; Management Services Agreement, May 29, 2014, Sections 6(a) - 6(b).							



Date: 4/10/2014
STATEMENT # T0004

PLEASE NOTE THAT ALL BILLS ARE
DUE AND PAYABLE UPON RECEIPT

BILL
TO Tulare Regional
Medical Center
869 N. Cherry Street
Tulare, CA 93274
559.685.3462
Customer ID T078

Date	Description	Balance	Amount
04.10.2014	Management Services Fee 04.10.2014 - 05.10.2014		\$175,000.00 CG.1
04.10.2014	MSA Contract Amendment Fee 04.10.2014 - 05.10.2014		\$ 49,823.16
04.10.2014	Reimbursement for CFO and VP OP Svcs 02.14.2014 - 02.28.2014		(\$ 13,738.66)
04.10.2014	Reimbursement for CFO and VP OP Svcs 03.01.2014 - 03.31.2014		(\$ 26,228.34)

Current	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	Over 90 Days Past Due	Amount Due
	0.00	0.00	0.00	0.00	\$184,656.16

Remittance

Statement # T0004
Date 04.10.2014
Amount Due \$184,656.16
Amount
Enclosed

CG.2

FIRST AMENDMENT TO MANAGEMENT SERVICES AGREEMENT

This **FIRST AMENDMENT TO MANAGEMENT SERVICES AGREEMENT** (the "First Amendment") is made and entered into as of February 14, 2014 (the "Effective Date") by and between **HealthCare Conglomerate Associates, LLC**, a California limited liability company ("Manager"), and **Tulare Local Healthcare District, d/b/a Tulare Regional Medical Center ("TRMC")**.

RECITALS:

WHEREAS, Manager and TRMC entered into that certain Management Services Agreement dated as of January 10, 2014, (the "Management Services Agreement") concerning the management of TRMC; and

WHEREAS, the parties desire to amend said Management Services Agreement in order to enhance the delivery of senior leadership services with respect to the Chief Financial Officer, the Vice President of Business Development, and the Vice President of Outpatient Services (but only on an interim basis until the Vice President of Outpatient Services returns to active employment) in accordance with the terms herein below stated.

NOW THEREFORE, for and in consideration of the mutual covenants contained herein and other good and valuable consideration exchanged by each of the parties to this First Amendment, the receipt and sufficiency of which are hereby acknowledged, the Management Services Agreement is hereby amended and the parties agree to as follows:

1. **CFO / VP Business Development/VP Outpatient Services Employment.** As of the Effective Date, the Manager shall provide additional services to the Hospital that are consistent with the historic services provided by the Hospital's Chief Financial Officer, the Vice President of Business Development and the Vice President of Outpatient Services (collectively the "Additional Services"). The Additional Services include those set forth on Exhibit "A" attached hereto. The specific Additional Services shall be determined by Manager in the exercise of Manager's sole but good faith business judgment. Section 3(b) of the Management Services Agreement shall be and hereby is amended to include the Additional Services within the scope of services to be provided by Manager on and after the Effective Date.
2. **Senior Managers.** As of the Effective Date, the term "Senior Managers" shall no longer include the Chief Financial Officer, the Vice President of Business Development or the Vice President of Clinics, and Section 1(z) is modified accordingly.

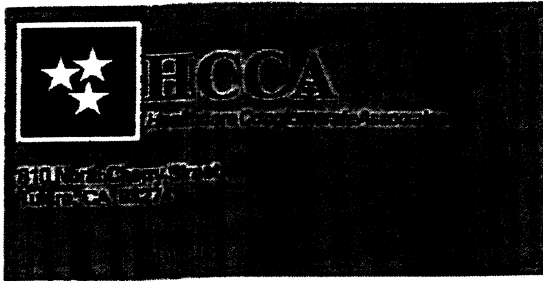
3. **Remuneration.** As of the Effective Date, Section 6 of the Management Services Agreement shall be amended by adding a new Subsection (d) thereto to read as follows:

"(d) Compensation for Additional Services. In addition to the above fees, Manager shall be reimbursed monthly (in advance on the Effective Date and thereafter on the first day of each month) by TRMC an amount equal to Forty-^{CG.5} Nine Thousand Six Hundred Twenty-Three Dollars and 16/100 (\$49,623.16) to cover the cost of Manager's assuming responsibility to perform the Additional Services. If the Effective Date of this First Amendment is not consistent with the monthly periods under the Management Services Agreement, then the monthly installment due under this Subsection (d) shall be prorated for any partial calendar month in which it commences."

4. **Miscellaneous.**

- 4.1 Counterparts. This First Amendment may be executed in any number of counterparts via facsimile or electronic transmission or otherwise, each of which shall be deemed an original, but all of which, taken together, shall constitute one and the same instrument.
- 4.2 Entire Agreement. This First Amendment sets forth the entire agreement between the parties with respect to the matters set forth herein. There have been no additional oral or written representations or agreements.
- 4.3 Authority. The parties signing below on behalf of the parties hereto represent and warrant that they have the authority and power to bind their respective party.
- 4.4 Terms. Capitalized terms not otherwise defined herein shall have the same meanings as are set forth in the Management Services Agreement.
- 4.5 Conflicts. Except to the extent expressly stated, modified or amended herein, all terms and conditions of the Management Services Agreement are ratified and confirmed and shall remain in effect as originally written. The parties agree that in the event of any conflict between the terms of the Management Services Agreement, as heretofore amended, and this First Amendment, the provisions of this First Amendment shall control.
- 4.6 Parties Bound. This First Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and assigns.

[Signature Page Follows]



Date: 4/10/2014
STATEMENT # T0004

PLEASE NOTE THAT ALL BILLS ARE
DUE AND PAYABLE UPON RECEIPT

BILL
TO Tulare Regional
Medical Center
869 N. Cherry Street
Tulare, CA 93274
559.585.3462
Customer ID T078

Date	Description	Balance	Amount
04.10.2014	Management Services Fee 04.10.2014 - 05.10.2014		\$175,000.00 a
04.10.2014	MSA Contract Amendment Fee 04.10.2014 - 05.10.2014		CG.4 \$ 49,623.16 I
04.10.2014	Reimbursement for CFO and VP OP Svcs 02.14.2014 - 02.28.2014		(\$ 13,738.66)
04.10.2014	Reimbursement for CFO and VP OP Svcs 03.01.2014 - 03.31.2014		(\$ 26,228.34)

Σa = 224,623 CG.1

Current	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	Over 90 Days Past Due	Amount Due
	0.00	0.00	0.00	0.00	\$184,656.16

Remittance

Statement # T0004
Date 04.10.2014
Amount Due \$184,656.16
Amount
Enclosed

CG.5

Management Services Agreement

between

HealthCare Conglomerate Associates, LLC

and

Tulare Regional Medical Center

MAY 29, 2014

C6.6

licensure of the District by the State as an acute care hospital or the accreditation of the District, Manager shall furnish a copy of such report to the District.

(e) HIPAA Compliance. Manager shall comply with the applicable provisions of the Administrative Simplification and Privacy Rules of the Health Insurance Portability and Accountability Act of 1996, as amended, and regulations promulgated pursuant thereto, and any related or applicable privacy Law regarding medical information and protected health information.

(f) Ineligible Persons - Disclosure Obligation. Manager shall use reasonable commercial efforts to monitor that none of Manager's or the District's employees employed at the Hospital and the Clinics and Other Facilities have been sanctioned, debarred or suspended or otherwise deemed ineligible to participate in Medicare, Medicaid or other Federal health care programs, and procurement, or non-procurement programs (collectively, an "Ineligible Person"). Manager represents to the District that Manager is not an Ineligible Person nor has any pending proceedings or received notice of any action or proceeding to exclude, debar, suspend, or otherwise declare Manager ineligible under any federally funded health program. Manager shall notify the District within three (3) business days after becoming aware of any fact or circumstance that would make Manager an Ineligible Person.

(g) Access to Records. Manager shall, in accordance with Section 1395x(v)(1) of Title 42 United States Code until the expiration of four (4) years, or longer as may be required by applicable Law, after the termination of this Agreement, make available upon written request to the Secretary of the United States Department of Health and Human Services, or, upon request, to the Comptroller General of the United States Accounting Office, or any of their duly authorized representatives, a copy of this Agreement and such books, documents and records as are necessary to verify the nature and extent of the costs of the services provided by Manager under this Agreement. Manager further agrees that in the event Manager carries out any duties under this Agreement through a subcontract with a value or cost of Ten Thousand Dollars (\$10,000) or more over a twelve-month period with a related organization, such agreement shall contain a clause to the effect that until expiration of four (4) years, or longer as may be required by Law, after the furnishing of such services pursuant to such subcontract, the related organization shall make available upon written request to the Secretary of the United States Department of Health and Human Services, or, upon request, to the Comptroller General of the United States Accounting Office, or any of their duly authorized representatives, a copy of such contract and such books, documents and records of such organizations as are necessary to verify the nature and extent of such costs. This Section is included pursuant to and is governed by the requirements of federal Law. No attorney-client, accountant-client, or other legal privilege will be deemed to have been waived by the parties or any of the parties' representatives by virtue of this Agreement.

(h) No Obligation to Refer Patients. Nothing contained in this Agreement shall require (directly or indirectly, explicitly or implicitly) either Manager or its Affiliates or the District or its Affiliates, to refer any patients to one another or to use the Hospital or the Clinics or Other Facilities as a precondition to receiving the benefits set forth herein.

6. Management Fee.

(a) Management Fee. As Manager's fee for the performance of the management services under this Agreement, Manager shall receive monthly (in advance on the first day of each month) a fee (the "Management Fee") in the amount of Two Hundred Twenty Five Thousand Dollars (\$225,000). Effective as of each January 1st, commencing January 1, 2015, the Management Fee shall be increased as provided in Section 6(b).

CG.1, CG.8 28

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CG.7

(b) CPI Adjustment.

(i) "CPI" means the monthly index of the U.S. City Average Consumer Price Index for Urban Wage Earners and Clerical Workers - Medical Care Services (1982-84 equals 100) published by the United States Department of Labor, Bureau of Labor Statistics or any successor agency that shall issue such index. In the event that the CPI is discontinued for any reason, the parties shall use such other index, or comparable statistics, on the cost of medical care services in the United States, as shall be computed and published by any agency of the United States or, if no such index is published by any agency of the United States, by a responsible financial periodical of recognized authority.

(ii) Beginning on January 1, 2015, and every year thereafter, the Management Fee shall each be adjusted for inflation as follows:

(1) The then existing Management Fee shall be multiplied by the greater of (i) the CPI percentage increase using the latest published data since the last adjustment or (ii) five percent (5%) ("CPI Increase");

(2) The then existing Management Fee shall then be added to the CPI Increase ("Net Adjusted Management Fee"); and

(3) The Net Adjusted Management Fee will then be multiplied by 1.01 to determine the Management Fee for the next ensuing calendar year.

(4) For example, the latest published CPI in January 2015 (e.g. November 2014) will be compared to the CPI for November 2013 (assuming that was the latest available published data) and the 2014 Management Fee will be multiplied by the percentage difference. Assuming a three percent increase, the Management Fee of \$225,000 would be increased by \$6,750 for a new monthly Net Adjusted Management Fee of \$231,750. That amount would then be multiplied by 1.01 resulting in a new monthly Management Fee of \$234,067.50.

(c) Expenses. In addition to the Management Fee, Manager shall be reimbursed monthly by the District for (i) expenses expressly made reimbursable hereunder together with (ii) other usual, customary, and commercially reasonable out-of-pocket expenses incurred on behalf of the District, in accordance with the approved Annual Budget, or with approval from the Governing Body, if such fees are in excess of the amount in the approved Annual Budget. Manager shall not be reimbursed for any indirect or overhead expenses of Manager or its Affiliates.

(d) Operating Expenses. Except as otherwise provided in this Agreement, all of the costs and expenses of maintaining and operating the Hospital and the Clinics and Other Facilities shall be the sole cost and expense of the District, and shall not be expenses of Manager. Expenses shall include, without limitation:

(i) any operating or non-operating expense incurred in the provision of services to the District (unless specifically excluded hereunder); and

(ii) The cost of any employee or Consultant that provides services at or in connection with the Hospital or the Clinics or Other Facilities for improved clinic performance, such as management, billing and collections, business office consultation, accounting and legal services, including salaries, benefits, other compensation, travel costs, and other expenses, but only when such services are coordinated by Manager.

$$\begin{aligned} & \text{C6.7 } 225,000 \times 1.05 \times 1.01 = 238,613.25 \text{ C6.1} \\ & \text{a } 238,613 \times 1.05 \times 1.01 = 253,049.6 \\ & \text{b } 253,049 \times 1.05 \times 1.01 = 268,358 \end{aligned}$$

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ATTACHMENT 7

DECLARATION OF J. DUROSS O'BRYAN, CPA

Attachment 7

Summary of Employee Lease Charge 11/01/14 - 10/31/17			
Component	A Months	Monthly C- NA Amt	B Total ¹
Employee lease charge (Nov-14 to Jun-15)	8	216,178	1,729,421
Employee lease charge (Jul-15 to Jun-16)	12	208,429	2,501,147
Employee lease charge (Jul-16 to Jun-17)	12	238,243	2,858,915
Sub-total	32	↓ 221,546	7,089,483
Employee lease charge (Jul-17 to Oct-17)	E 4	↓ 221,546	F = E * D 886,185
Total	36		7,975,668
Sources:			
1. Request For Funds by the District and a Promissory Note between the District and HCCA dated July 31, 2015; Request For Funds by the District and a Promissory Note between the District and HCCA dated July 31, 2016; Email between Delbert Bryant, Dr. Benzeevi, and Alan Germany (the District's Chief Financial Officer) dated July 5, 2017.			

$$C710 \times EA = 4,230,968$$

**PROMISSORY NOTE****\$1,729,421.00****07.31.2015**

FOR VALUE RECEIVED, the undersigned, Tulare Local Healthcare District, a California Healthcare District formed under the California Health & Safety Code d/b/a Tulare Regional Medical Center ("Maker"), hereby unconditionally promises to pay to the order of Healthcare Conglomerate Associates, LLC, a California limited liability company ("Holder") the principal sum of One Million Seven Hundred Twenty Nine Thousand Four Hundred Twenty One And 00/100 Dollars (\$1,729,421.00). C7.1

This Note is given pursuant to Sections 4(1)(iv) and 4(1)(i) of that certain Management Services Agreement dated May 29, 2014 between Holder and Maker (the "MSA"). The funds being loaned to Maker under this Note shall be deposited into a bank account in the name of Holder or a subsidiary of Holder, which account is the "Master Account" described in Section 4(g)(iii) of the MSA.

1. **Principal.** The entire unpaid principal balance of this Note shall be due and payable, without notice or demand, on 08.31.2015 ("Maturity Date").
2. **Interest.** This Note shall not bear interest until the Maturity Date. If not paid in full on or before the Maturity Date, this Note shall bear interest at the rate of 10% per annum until paid in full.
3. **Payments.** Payments under this Note shall be applied first to accrued interest (if any) and the remainder shall be applied to principal. This is not a revolving credit facility and any principal repaid may not be re-borrowed. All amounts hereunder shall be payable in lawful money of the United States of America. Payments shall be made to Holder at the address set forth as in the MSA, unless another place of payment shall be set forth in a notice from Holder to Maker.
4. **Waiver.** Maker waives all notices, presentment and demand for payment, notice of dishonor, protest and notice of protest of this Note. No delay or omission on the part of Holder in exercising any right hereunder shall operate as a waiver of such right or remedy, or any additional right or remedy on any future occasion.
5. **Prepayment.** Maker may prepay any and all amounts due under this Note in whole or in part at any time and from time to time without penalty or premium.
6. **Governing Law.** This Note shall be governed by, interpreted under and construed in accordance with the laws of the State of California, without giving effect to any choice or conflict of law provisions.

C7.2



7. **Attorneys Fees and Costs.** Holder shall be entitled to recover from Maker reasonable attorneys' fees and costs incurred by Holder in collection efforts, before or after judgment in any court of law, including but not limited to attorneys' fees and costs incurred in connection with the enforcement of any such judgment, and in any bankruptcy proceeding.

8. **Amendment.** This Note may not be amended other than by a written instrument signed by Holder and Maker.

9. **Notices.** All notices, demands, and other communications hereunder must be given in accordance with the provisions of the MSA.

[The remainder of this page is intentionally left blank – signature page follows]



IN WITNESS WHEREOF, Maker has executed this Note as of the date first set forth above.

"MAKER"

**Tulare Local Healthcare District
d/b/a Tulare Regional Medical Center**

**By: Healthcare Conglomerate Associates, LLC, as
Agent and attorney in fact**

By: 
Yoram (Benny) Benzevi, M.D., Manager

**REQUEST FOR FUNDS**

C7.2
Healthcare Conglomerate Associates, LLC (the "Manager") hereby requests that Tulare Local Healthcare District d/b/a Tulare Regional Medical Center (the "District"), hereby provide funds in the amount of One Million Seven Hundred Twenty Nine Thousand Four Hundred Twenty One And 00/100 (\$1,729,421.00) pursuant to Section 3(b)(iii) of the Management Services Agreement dated May 29, 2014 by and between Manager and District (the "MSA") in order to pay for operating expenses on 7.31.2015.

Manager is willing to advance funds pursuant to Section (4)(i)(1) of the MSA should the District be unable or unwilling to provide the required funds in accordance with the terms of the MSA.

Please advise the undersigned as soon as possible, but in no event later than 7 p.m. on 7.31.2015, whether the District will provide funds on or before 7 p.m. on 7.31.2015. If the District is unable or unwilling to advance the required funds, Manager will advance the funds with no further notice.

Sincerely

Healthcare Conglomerate Associates, LLC

By: _____

By: _____

**PROMISSORY NOTE****\$2,501,147.00****07.31.2016**

FOR VALUE RECEIVED, the undersigned, Tulare Local Healthcare District, a California Healthcare District formed under the California Health & Safety Code d/b/a Tulare Regional Medical Center ("Maker"), hereby unconditionally promises to pay to the order of Healthcare Conglomerate Associates, LLC, a California limited liability company ("Holder") the principal sum of Two Million Five Hundred One Thousand One Hundred Forty Seven And 00/100 Dollars (\$2,501,147.00). C7.9/

This Note is given pursuant to Sections 4(i)(iv) and 4(j)(i)(1) of that certain Management Services Agreement dated May 29, 2014 between Holder and Maker (the "MSA"). The funds being loaned to Maker under this Note shall be deposited into a bank account in the name of Holder or a subsidiary of Holder, which account is the "Master Account" described in Section 4(g)(iii) of the MSA.

1. **Principal.** The entire unpaid principal balance of this Note shall be due and payable, without notice or demand, on 08.31.2016 ("Maturity Date").
2. **Interest.** This Note shall not bear interest until the Maturity Date. If not paid in full on or before the Maturity Date, this Note shall bear interest at the rate of 10% per annum until paid in full.
3. **Payments.** Payments under this Note shall be applied first to accrued interest (if any) and the remainder shall be applied to principal. This is not a revolving credit facility and any principal repaid may not be re-borrowed. All amounts hereunder shall be payable in lawful money of the United States of America. Payments shall be made to Holder at the address set forth as in the MSA, unless another place of payment shall be set forth in a notice from Holder to Maker.
4. **Waiver.** Maker waives all notices, presentment and demand for payment, notice of dishonor, protest and notice of protest of this Note. No delay or omission on the part of Holder in exercising any right hereunder shall operate as a waiver of such right or remedy, or any additional right or remedy on any future occasion.
5. **Prepayment.** Maker may prepay any and all amounts due under this Note in whole or in part at any time and from time to time without penalty or premium.
6. **Governing Law.** This Note shall be governed by, interpreted under and construed in accordance with the laws of the State of California, without giving effect to any choice or conflict of law provisions.



7. Attorneys Fees and Costs. Holder shall be entitled to recover from Maker reasonable attorneys' fees and costs incurred by Holder in collection efforts, before or after judgment in any court of law, including but not limited to attorneys' fees and costs incurred in connection with the enforcement of any such judgment, and in any bankruptcy proceeding.

8. Amendment. This Note may not be amended other than by a written instrument signed by Holder and Maker.

9. Notices. All notices, demands, and other communications hereunder must be given in accordance with the provisions of the MSA.

[The remainder of this page is intentionally left blank – signature page follows]



IN WITNESS WHEREOF, Maker has executed this Note as of the date first set forth above.

"MAKER"

**Tulare Local Healthcare District
d/b/a Tulare Regional Medical Center**

**By: Healthcare Conglomerate Associates, LLC, as
Agent and attorney in fact**

By: 
Yorai (Benny) Benzecvi, M.D., Manager

**REQUEST FOR FUNDS**

C7.6
Healthcare Conglomerate Associates, LLC (the "Manager") hereby requests that Tulare Local Healthcare District d/b/a Tulare Regional Medical Center (the "District"), hereby provide funds in the amount of Two Million Five Hundred One Thousand One Hundred Forty Seven And 00/100 (\$2,501,147.00) pursuant to Section 3(b)(iii) of the Management Services Agreement dated May 29, 2014 by and between Manager and District (the "MSA") in order to pay for operating expenses on 7.31.2016.

Manager is willing to advance funds pursuant to Section (4)(i)(1) of the MSA should the District be unable or unwilling to provide the required funds in accordance with the terms of the MSA.

Please advise the undersigned as soon as possible, but in no event later than 7 p.m. on 7.31.2016, whether the District will provide funds on or before 7 p.m. on 7.31.2016. If the District is unable or unwilling to advance the required funds, Manager will advance the funds with no further notice.

Sincerely

Healthcare Conglomerate Associates, LLC

By: 

By: _____

★ Alan Germany

PREVIOUS December 22, 2016 at 1:51 PM

AG

Amounts due to HCCA from TRMC - Employee Surcharge

To: Benny

Siri found updated contact info in this email: Alan Germany 869 N. Cherry Street, Tulare CA 93274

update...

Dr. Benzeevi:

The calculation of the amount due to HCCA from TRMC for the employee premium/surcharge as per MSA is \$4,230,568. This is for the time covering the fiscal years 2015 and 2016 (July 1, 2014 – June 30, 2016) and is with the understanding that the former District employees transferred to HCCA employment effective November 9, 2014.

Thank you.

Alan W. Germany, MBA, FHFMA, CPA
Chief Operating Officer/Chief Financial Officer



Tulare Regional Medical Center

Tel: 559.685-3462 | Fax: 559.685.3835 | 869 N. Cherry Street, Tulare CA 93274

C7.11

Christina Orrico

From: Delbert Bryant <dbryant@teamhcca.com>
Sent: Wednesday, July 05, 2017 4:48 PM
To: Benny Benzeevi
Cc: Alan Germany
Subject: HCCA Compensation Premium & TRMC Receivable Adjustment.xlsx
Attachments: HCCA Compensation Premium & TRMC Receivable Adjustment.xlsx

The intercompany re=ivable for FY17 shows \$519,919.32 owed to the district.

The compensation pr=mium for FY17 shows \$2,858,914.80 owed to HCCA.

C7.1

These do not includ= prior year amounts.

This e-mail is a confidential transmission. Information contained herein is=confidential and/or proprietary and is for the intended recipient only. It=may not be distributed to any other party in any manner without the prior
=ritten consent of the sender. If you are not the intended recipient, you are directed not to read, disclose= distribute or otherwise use this transmission. If you have received this =mail in error, please notify the sender,
immediately and delete the transmi=son. Delivery of this message is not intended to waive any applicable privileges.

ATTACHMENT 8

**CONFIDENTIAL – SUBJECT TO
MOTION TO SEAL AND MOTION
FOR A PROTECTIVE ORDER**

ATTACHMENT 9

**CONFIDENTIAL – SUBJECT TO
MOTION TO SEAL AND MOTION
FOR A PROTECTIVE ORDER**

ATTACHMENT 10

**CONFIDENTIAL – SUBJECT TO
MOTION TO SEAL AND MOTION
FOR A PROTECTIVE ORDER**

ATTACHMENT 11

**CONFIDENTIAL – SUBJECT TO
MOTION TO SEAL AND MOTION
FOR A PROTECTIVE ORDER**

ATTACHMENT 12

**CONFIDENTIAL – SUBJECT TO
MOTION TO SEAL AND MOTION
FOR A PROTECTIVE ORDER**

ATTACHMENT 13

**CONFIDENTIAL – SUBJECT TO
MOTION TO SEAL AND MOTION
FOR A PROTECTIVE ORDER**